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TO AMEMBASSY ISLAMABAD IMMEDIATE

UNCLAS STATE #10775

AIDAC AID REPRESENTATIVE, LARRY CRANDALL

E.D. 12356: N/A

TAGS:

SUBJECT: AFGHANISTAN AG. SECTOR SUPPORT PROJECT AAM
AMENDMENT

1. SUMMARY. TASK FORCE REVIEWED AAM AMENDMENT ON JANUARY 6, 1989 AND APPROVED THE AGRICULTURAL REHABILITATION SCHEMES (ARS) AND THE MONITORING, ANALYSIS AND PLANNING (MAP) COMPONENTS OF SUBJECT PROJECT. IN REGARD TO THE PRIVATE SECTOR AGRIBUSINESS COMPONENT, THE TASK FORCE APPROVED THE CONCEPT OF USING THE PRIVATE SECTOR TO PROVIDE AGRICULTURAL INPUTS. HOWEVER, THE OPERATIONAL DETAILS OF SUCH A PROGRAM WERE NOT UNDERSTOOD, AND THE TASK FORCE AGREES WITH THE MISSION THAT THERE ARE SEVERAL ISSUES TO BE RESOLVED AS MENTIONED IN THE AAM AMENDMENT. THE TASK FORCE IS READY TO RECOMMEND AUTHORIZATION OF THE ARS AND MAP COMPONENTS, BUT REQUESTS A MORE DETAILED DESCRIPTION OF THE PSA, PRIOR TO RECOMMENDING AUTHORIZATION. GIVEN THE SIZE OF THE PSA, AND THE PROBABILITY THAT THE MISSION CAN COMPLETE THE DESCRIPTION IN SEVERAL WEEKS, WE ASSUME THAT THE MISSION WISHES TO HAVE THE WHOLE PROJECT AUTHORIZED AT THE SAME TIME. THEREFORE, AS SOON AS TASK FORCE RECEIVES AND REVIEWS A MORE DETAILED DESCRIPTION OF THE

OPERATION OF THE PSA, WE WILL RECOMMEND AUTHORIZATION OF THE PROJECT TO THE AA. POINTS THAT NEED TO BE COVERED IN THE DESCRIPTION OF THE OPERATION OF THE PSA ARE SUMMARIZED BELOW, AS ARE DECISIONS AND GUIDANCE RELATING TO OTHER PROJECT ACTIVITIES. THE TASK FORCE WILL DISCUSS THE PSA IN DETAIL WITH LARRY CRANDALL DURING THE WEEK OF JANUARY 23.

2. AGRICULTURAL REHABILITATION SCHEMES (ARS) COMPONENT. THE TASK FORCE WILL RECOMMEND AUTHORIZATION OF THIS COMPONENT AS PRESENTED IN THE AAM AMENDMENT. DURING THE REVIEW, THE PRIMARY ISSUE RAISED REVOLVED AROUND THE RATIONALE OF LOCATING PROJECT AREAS IN THE NORTH AND NORTHEAST OF AFGHANISTAN, VS. WORKING IN THE SOUTH AND EASTERN PROVINCES TO WHICH MORE REFUGEES ARE EXPECTED TO RETURN. THE TASK FORCE ACCEPTED THE RATIONALE PRESENTED IN THE AAM AMENDMENT AFTER CLARIFICATION, BY THOSE OFFICIALS WHO PARTICIPATED IN THE RE-DESIGN, THAT THE OVERALL FOOD AID EMPLOYMENT NEEDS OF REFUGEES RETURNING TO THE EAST AND SOUTH WILL BE ADDRESSED BY THE U.N. AND OTHER DONORS, AND IT IS ANTICIPATED THAT SIMPLICES IN

THE NORTH AND NORTHEAST WILL CONTRIBUTE TO MEETING THEIR NEEDS. IN THIS CONTEXT, THE RATIONALE OF THE PROJECT IS THAT THE FOOD NEEDS OF THE SOUTH AND EAST CAN BEST BE MET BY PROVIDING ASSISTANCE TO THE FARMERS IN THE NORTH AND NORTHEAST. IN ADDITION, IT WAS CLARIFIED THAT AID'S AREA REHABILITATION SCHEMES CURRENTLY BEING IMPLEMENTED IN THE EASTERN PROVINCES WOULD BE MAINTAINED AND EXPANDED.

A. MONITORING OF THE ARS COMPONENT. IN DISCUSSING IMPORTANT FACTORS IN THE ARS COMPONENT, SUCH AS TRANSPORTATION BETWEEN AGRICULTURAL SURPLUS AND DEFICIT AREAS, DEMAND, DELIVERY OF INPUTS, ETC., THE IMPORTANCE OF MONITORING AND THE ABILITY TO ADJUST ACTIVITIES TO TAKE CORRECTIVE ACTION, IF NECESSARY, CANNOT BE EMPHASIZED ENOUGH. WHILE WE REALIZE THAT MONITORING COMPRISSES A SEPARATE COMPONENT, THE TASK FORCE URGES THE MISSION ITSELF TO PAY SPECIAL ATTENTION TO CLOSELY MONITORING THE ARS COMPONENT. IN ADDITION TO MONITORING INFORMATION, AS DESCRIBED ABOVE, AND WHAT IS DESCRIBED IN THE MAP COMPONENT, THE TASK FORCE ALSO NOTED THE IMPORTANCE OF MONITORING ORGANIZATIONAL STRUCTURES AS THEY EVOLVE, AND OF OTHER SOCIOLOGICAL AND INSTITUTIONAL FACTORS. COLLECTION AND ANALYSIS OF SUCH INFORMATION IS CRITICAL TO ALL ACTIVITIES UNDER THE ARS COMPONENT, ESPECIALLY THE IRRIGATION REHABILITATION SCHEMES.

B. TRAINING UNDER THE ARS COMPONENT. WHILE TRAINING WILL BE RECOMMENDED FOR AUTHORIZATION, AS PART OF THE ARS COMPONENT, THE TASK FORCE NOTED THAT TRAINING WILL BE LIMITED TO MEET THE REQUIREMENTS OF THE PROJECT, I.E., SHORT TERM, IN-SERVICE, AND IN AFGHANISTAN OR PAKISTAN. HOWEVER, WE ALSO NOTED REFERENCE TO U.S. OR THIRD COUNTRY TRAINING OPPORTUNITIES FOR WHICH A SMALL AMOUNT OF FUNDING HAS BEEN BUDGETED P. 26 OF THE AAM AMENDMENT. AS IN THE CASE OF THE EDUCATION AAM AMENDMENT, THE TASK FORCE CANNOT RECOMMEND APPROVAL OF NEW PARTICIPANT LONG-TERM TRAINING. THE TASK FORCE ASSUMED THAT TRAINING WILL BE SHORT TERM AND IN-SERVICE. IF THE CASE IS OTHERWISE, PLEASE CLARIFY.

3. COORDINATION WITH OTHER DONORS. SINCE THE U.N. AND OTHER DONORS WILL ALSO PROVIDE FOOD AND EMPLOYMENT TO REFUGEES RETURNING TO THE EAST AND SOUTH OF AFGHANISTAN, IT WILL BE IMPORTANT TO COORDINATE CLOSELY AND FREQUENTLY WITH OTHER DONORS. THE MISSION IS URGED TO PAY SPECIAL ATTENTION TO THIS PROCESS.

4. PROJECT MANAGEMENT AND TECHNICAL ASSISTANCE. VITA'S PERFORMANCE UNDER THE ARS (FORMERLY AOS) HAS BEEN GOOD OVERALL, ALTHOUGH WEAK IN SOME RESPECTS AS NOTED IN THE ASSESSMENT. WE APPRECIATE THE MISSIONS DESIRE TO CONTINUE VITA IN THAT COMPONENT AS LONG AS QUALITY PERFORMANCE IS MAINTAINED. THE TASK FORCE WISHES TO DO EVERYTHING IT CAN TO MAKE MANAGEMENT OF THE PROJECT LEAST BURDENSOME TO THE MISSION. ON JAN. 5, ANE/PO DISCUSSED THE OPTIONS FOR CONTINUING VITA WITH SENIOR CONTRACTING OFFICERS OF US/ER. THE CONSENSUS WAS THAT THE MISSION HAS TWO OPTIONS: TO SHORT LIST FIRMS CAPABLE OF TAKING ON PSA AND THE MAP COMPONENT OR FULLY COMPETING THE CONTRACT. BOTH OPTIONS WOULD INCLUDE RFPs WITH LANGUAGE REFERRING TO THE CURRENT ARS ACTIVITY. ANE/PO WILL BE CONTACTING THE MISSION SEPARATELY TO FURTHER DISCUSS OPTIONS, AND THE MATTER WILL BE PURSUED DURING THE WEEK OF JANUARY 23.

5. PRIVATE SECTOR AGRIBUSINESS COMPONENT. THE TASK FORCE FOUND THE CONCEPT TO BE ATTRACTIVE, BUT A DESCRIPTION OF ITS OPERATION NEEDS TO BE SETTLED OUT AND MUST BE ACCEPTABLE TO THOSE INVOLVED, ESPECIALLY TO THE

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GDP. WE ARE AWARE THAT A GREAT DEAL OF DISCUSSION ON THE OPERATION OF THE PSA TOOK PLACE DURING THE DESIGN OF THE AMENDMENT, BUT PERHAPS WAS NOT REFLECTED IN THE DOCUMENT BECAUSE OF THE CHANGE IN GOVERNMENT IN PAKISTAN.) THE TASK FORCE REQUESTS A DESCRIPTION OF HOW

THE COMPONENT WILL WORK, OPERATING PROCEDURES, AND ARRANGEMENTS AGREED TO IN PRINCIPLE WITH THE GOPI BE PREPARED. THE DESCRIPTION, TO BE ATTACHED TO THE AM AMENDMENT AS AN ANNEX, SHOULD ADDRESS ROLES OF PARTICIPATING ENTITIES. THE TASK FORCE BELIEVES THAT, AT A MINIMUM, THE DESCRIPTION SHOULD ADDRESS THE POINTS AND QUESTIONS PROVIDED BELOW.

-HOW WAS THE AMOUNT OF DOLS 33.7 MILLION ARRIVED AT?

-HOW WILL DOLLARS BE DISBURSED?

,APPROXIMATELY, HOW MUCH OF THE DOLS 33.7 MILLION WILL BE CONVERTED TO LOCAL CURRENCIES AND HOW WILL LOCAL CURRENCIES BE MANAGED?

-ASSUMING THAT THE PROCESS VARIES ACCORDING TO TYPES OF COMMODITIES TO BE PROCURED-FOR EXAMPLE, FERTILIZERS AND SEEDS ARE SPECIAL CASES-IT WOULD BE HELPFUL TO HAVE A COMPREHENSIVE, ILLUSTRATIVE LIST OF THE TYPES OF COMMODITIES TO BE PROCURED.

-A MODEL OR FLOW CHART SHOWING ENTITIES/ACTORS INVOLVED IN THE PROCESS AND THEIR FUNCTIONS AND HOW THEY RELATE, WOULD BE A GOOD WAY OF ILLUSTRATING THE PROCESS.

,PERHAPS VARYING WITH THE TYPE OF COMMODITY AND WHETHER GOODS ARE LOCALLY OR FOREIGN PRODUCED, CRITICALLY SHORT IN PAKISTAN OR NOT, ETC., FUNCTIONS OF THE FOLLOWING SHOULD BE CLEAR AND INTERRELATED: OFFICE OF THE AID REP., PRIVATE CIP MANAGEMENT ENTITY, COMMERCIAL BANKS, MANUFACTURER/PRODUCER, EXPORTER, TRADERS, ANY OTHER MIDDLEMEN, AFGHAN CONSUMER/FARMER, AND THE GOP.

,USES OF LOCAL CURRENCY ARE NOT CLEAR AND MUST BE DESCRIBED IN MORE DETAIL. HOW WILL SUBSIDIES OR SUBSIDIZED PRICING WORK? HOW WOULD THE OFFSETS FOR GOP SUBSIDIZED COMMODITIES WORK? HOW WOULD INCENTIVES TO PRODUCER, EXPORTERS AND/OR TRADERS WORK? ARE ALL OF THESE TO BE INCLUDED IN LOCAL CURRENCY USE? WILL LOCAL CURRENCIES BE RESTRICTED TO THE SUPPORT OF THIS PROJECT?

-THE CONCEPT OF THE PSA COMPONENT, INCLUDING THE PROCESS, ARRANGEMENTS FOR FOREIGN EXCHANGE CONVERSION AND LOCAL CURRENCY MUST BE ACCEPTABLE TO THE GOP.

-MISSION SHOULD HAVE CONFIDENCE THAT THE PROCESS DESCRIBED IN THE ANNEX TO BE PREPARED, WILL BE, FOR THE

MOST PART, THE PROCESS PUT INTO OPERATION. THE NON-MARKET CIP DESCRIBED AS A QUOTE FALL BACK POSITION UNQUOTE ON P. 32 OF THE AM AMENDMENT SHOULD BE A REMOTE POSSIBILITY, AND ONE WHICH WE WOULD WISH TO DISCUSS BEFORE ITS IMPLEMENTATION.

,MONITORING. HOW WILL THE MISSION MONITOR THIS COMPONENT TO INSURE THAT GOODS ARE REACHING THE AFGHAN FARMERS AT APPROPRIATE PRICE AND TO ALLOW FOR REDESIGN/MODIFICATION OF THE COMPONENT, IF NECESSARY? SHULTZ

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